

THE Mentor

News from the State Retirement and Pension System of Maryland

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STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

Changing jobs? Don't forget to transfer your retirement credit

IF YOU RECENTLY CHANGED JOBS AND RETIREMENT OR PENSION SYSTEMS, you may be eligible to transfer the service credit that you earned in the former system into your new retirement or pension account. To qualify for the transfer of service credit, your employment must be continuous and you must apply to transfer the qualified credit within one year of becoming a member of your new system. Under these rules, *continuous employment* means that you changed jobs **without** incurring a break in employment.

It is important to remember that any transfer of service credit must be done within one year after becoming a member of your new system. There are no exceptions.

The rules of your new system determine the amount of employee contributions with interest needed to accompany the transfer of service. If you do not pay these funds, a contribution deficiency will be placed on your account. At retirement, any monies owed to the system will result in an actuarial reduction of your monthly benefit.

See *Changing Jobs*, page 4

New automated phone system puts information at your fingertips

THE STATE RETIREMENT AGENCY'S NEW AUTOMATED TELEPHONE SYSTEM provides callers with more detailed account information at the push of a button.

The convenient new system offers members 24-hour access to their retirement account. Simply dial 410-625-5555 or toll-free 1-800-492-5909 and select from the following options:

- 1 Hot Topic:** Select 1 on your touch-tone phone to hear a recorded message with the latest news and information from the Retirement Agency.
- 2 For retirees and beneficiaries:** Selecting 2 provides information for retirees and beneficiaries who are receiving a monthly payment.
- 3 For current or vested members:** Press 3 to retrieve account information, check your beneficiaries on file and request Agency forms.
- 4 Appointments:** To schedule a counseling session at our Baltimore office or the regional location nearest you, simply press 4.
- 5 Survivor Benefits:** Select 5 to report the death of a member or retiree.



0 Staff Assistance: If your question cannot be answered through the numbered options, select 0 or stay on the line to speak with a retirement benefits counselor.

To protect your privacy, your personal account information can be accessed only with your Social Security number and individual PIN (personal identification number). Your four-digit PIN is the month and year of your enrollment. For example, if you joined the State Retirement and Pension System in September of 2002, your PIN would be 0902.

**Pre-Retirement
Seminars**

Registration forms
for 2006 are now
available online at
www.sra.state.md.us

System continues strong investment gains in fiscal '05

THE STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND'S INVESTMENT FUND

returned a notable gain of 9.5% during fiscal year 2005, the System's second straight year of strong returns.

This is a summary of the System's activities for the year ending June 30, 2005. For more detailed information, the System's comprehensive annual financial report is available online at www.sra.state.md.us.

SYSTEM FINANCES

The System is responsible for properly administering the retirement, disability and death benefits for its members and retirees. The System's overall funding objective is to accumulate sufficient assets over time to meet these long-term benefit obligations as they become due.

REVENUES

During fiscal year 2005, investment earnings were \$2.8 billion, while revenues from employer and member contributions were \$670 million and \$209 million, respectively. For fiscal

REVENUES

Employer Contributions	
2005	\$670 million
2004	\$632 million
Employee Contributions	
2005	\$209 million
2004	\$204 million
Net Investment Income	
2005	\$2.8 billion
2004	\$4.2 billion

Under the experienced direction of its Board of Trustees, the System plans to continue following its steady course toward maximizing investment returns while maintaining an acceptable level of risk.

year 2005, member contribution rates remained unchanged, while employer rates varied depending on the System.

EXPENSES

Retirement allowances paid to retirees and beneficiaries totaled \$1.7 billion in fiscal year 2005, which included \$19.2 million paid to members and withdrawing employers as a result of employment terminations, system transfers or withdrawal. Expenses for management of the investment portfolio and administration

EXPENSES

Benefit Payments	
2005	\$1.7 billion
2004	\$1.6 billion
Refunds	
2005	\$19 million
2004	\$12 million

of the System were \$103 million and \$22 million, respectively.

FUNDED STATUS

As of June 30, 2005, the System's actuarial accrued liability was \$39.1 billion. With the actuarial value of assets accumulated to pay the liability at \$34.5 billion, the System now stands at 88.21% funded. The System remains financially strong and ahead of schedule with regard to its long-term funding goals.

INVESTMENTS

The System continued to experience strong investment gains during the fiscal year with returns of 9.5%.

Annualized returns for the three, five, and 10-year periods ending June 30 were 9.5%, 1.9% and 7.6%, respectively. The market value of System assets increased from \$30.2

See System Continues Strong Investment Gains, page 3

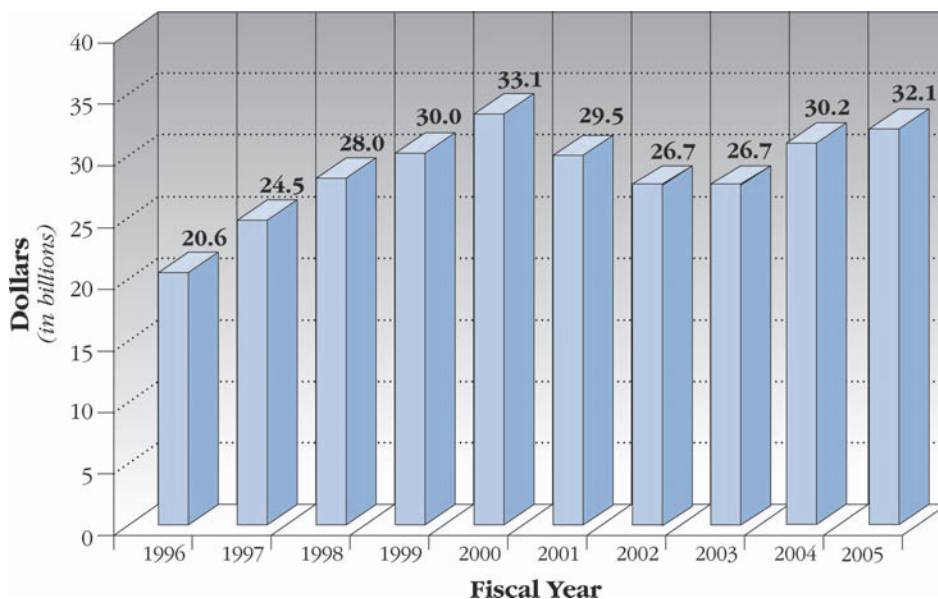
billion on June 30, 2004 to \$32.1 billion on June 30, 2005. The System's equity investments returned 8.8%, with U.S. equities returning 6.9% and international equities returning 14.0%. The System's fixed income investments returned 7.8%, and real estate returned 27.5%.

Under the experienced direction of its Board of Trustees, the System plans to continue following its steady course toward maximizing investment returns while maintaining an acceptable level of risk.

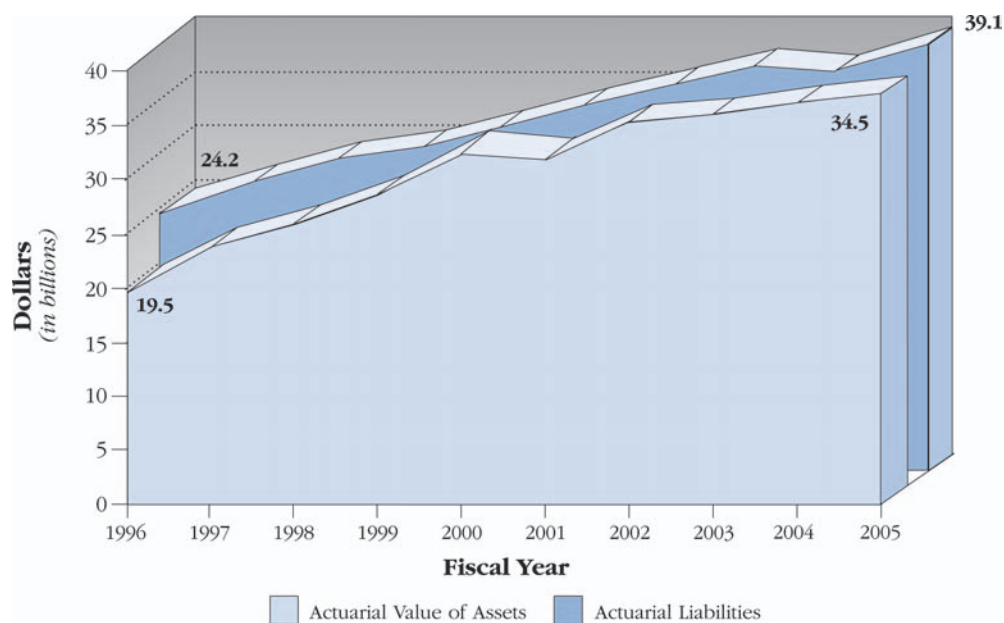
MEMBERSHIP

The System's rolls included 188,050 active members as of June 30, 2005, an increase of 2,189 members from the previous year. The System also served 100,196 retirees and beneficiaries at the end of fiscal year 2005, an increase of 5,316 over the previous year. From June 30, 2004 to June 30, 2005, the number of former members who are eligible for a future benefit (i.e., vested members) increased by 753 to a total of 47,664.

TEN-YEAR GROWTH OF INVESTMENT PORTFOLIO



TEN-YEAR HISTORY OF FUNDING PROGRESS



FOR MORE INFORMATION ...

The System's Comprehensive Annual Financial Report for fiscal year 2005 is available in its entirety online. Visit the State Retirement Agency Web site at www.sra.state.md.us to access a printable version of the report.

Important reemployment information for members getting ready to retire

WHEN YOU RETIRE AND BEGIN RECEIVING RETIREMENT BENEFITS, your intention should be to permanently retire from employment with the State or participating governmental employer. Under no circumstances should your decision to retire be conditioned upon an offer of reemployment, and in fact, no offers of reemployment should be discussed by you and your employer prior to your retirement. Such a pre-existing reemployment agreement would signify that there was no intention on your part to retire.

If after retirement you consider reemployment with the same employer* from whom you retired you need to be aware of the following important information.

There can be significant consequences to you and the State Retirement and Pension System if you retire before the normal retirement age of your plan and/or before age 59½, and are reemployed with the same employer without a bona fide separation of service.

The Internal Revenue Service (IRS) can impose a significant tax penalty on your income if you are under the age of 59½, retire and begin receiving your monthly retirement benefits, and are reemployed by the same employer from whom you retired. In order to avoid this penalty there must be a bona fide separation from service between you and your former employer.

If you retire before your normal retirement age, there are also serious tax consequences to the State Retirement and Pension System if a bona fide separation from service does

not take place following your retirement and prior to your reemployment with the same employer.

While the IRS has not specifically defined what constitutes a bona fide separation from service, the more differences between your last job before retirement and the job being performed upon your reemployment, and the longer the break between the date of your retirement and the date of your reemployment, the more likely it is that there has been a bona fide separation of service. If you are reemployed to perform the same job, even if there is a reduction in your work schedule, this would not likely qualify as a bona fide separation of service unless there is a lengthy break in employment. Even arrangements where you are rehired as an "independent contractor" may not meet the IRS' standard.

You also need to be aware that new legislation passed by the General Assembly during the 2005 legislative session requires a minimum separation from service of at least 45 days prior to any reemployment with the same employer from whom you retired.

If after retirement you consider reemployment with the same employer from whom you retired you may wish to review and discuss this information with the employer and your tax advisor. Failure to do so could result in a significant tax penalty on your income.

* All units of Maryland state government, including the University of Maryland System, are considered one employer.

Changing Jobs continued from page 1

Two general types of credit transfers are possible. A member may be eligible to transfer service credit from:

1. a previous State Retirement and Pension System (SRPS) plan to a new SRPS plan. An example would be a state trooper, with membership in the State Police Retirement System, who accepts a position as a teacher and joins the Teachers' Pension System. To transfer credit within SRPS, you must submit a *Request to Transfer* (Form 37).
2. a retirement or pension system operated under the laws of any politi-

cal subdivision of Maryland to an SRPS plan. An example would be a Baltimore City employee, with membership in Baltimore City's retirement plan, who becomes a state employee and joins the Employees' Pension System. To transfer credit earned with a non-SRPS plan,

submit a *Request to Purchase Previous Service* (Form 26).

For more information on eligible service transfers, contact a retirement counselor at 410-625-5555 or toll free at 1-800-492-5909.

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